

EXHIBIT 1

1 UNITED STATES DISTRICT COURT
2 NORTHERN DISTRICT OF CALIFORNIA
3 SAN FRANCISCO DIVISION

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5
6 ALICIA HERNANDEZ, et al.,
7 individually and on
8 behalf of all others
9 similarly situated,

10 Plaintiffs,

11 vs.

No. 3:18-cv-07354-WHA

12 WELLS FARGO & COMPANY, and
13 WELLS FARGO BANK, N.A.,
14 Defendants.
15 _____/

16 30(b)(6) VIDEOTAPED DEPOSITION OF CARMEN BELL
17 SAN FRANCISCO, CALIFORNIA
18 FRIDAY, AUGUST 2, 2019
19

20
21 Stenographically reported by:
22 ANDREA M. IGNACIO, CSR, RPR, CRR, CCRR, CLR
23 California CSR No. 9830
24 Job No. 3476159
25 Pages 1- 266

Page 1

1 Q All right. 09:48	1 A I believe so, yes. 09:51
2 And the mortgage loan modification 09:48	2 MS. KNIGHT: Object to form. 09:51
3 underwriting tool that's being referred to there is 09:48	3 MR. PAUL: Q. And then, after the -- that 09:51
4 what is known as the HPA; is that true? 09:48	4 first sentence with the date, it says: 09:51
5 A That's correct. 09:48	5 "A subsequent expanded review identified 09:51
6 Q Okay. And that's -- what does HPA stand for? 09:48	6 related errors." 09:51
7 A Home Preservation Application. 09:49	7 What -- what are the related errors that the 09:51
8 Q All right. 09:49	8 subsequent expanded review identified? 09:51
9 I'm going to skip a sentence there. But 09:49	9 A We took the broadest approach after we 09:51
10 there's a reference there to approximately 09:49	10 identified that the automated tool calculation error 09:51
11 625 customers were incorrectly denied a loan 09:49	11 impacted borrowers to review all attorneys' fees 09:51
12 modification, or were not offered a modification in 09:49	12 practices in loan modifications. 09:52
13 cases where they would have otherwise qualified. 09:49	13 And that subsequent, more broad review 09:52
14 That number has -- has since changed; 09:49	14 identified that in other instances, we did not have a 09:52
15 correct? 09:49	15 control in place. The calculation error was not 09:52
16 A Yes. 09:49	16 present. 09:52
17 Q All right. 09:49	17 We did not have an appropriate control in 09:52
18 And the -- the second number there, in 09:49	18 place when we would receive a pending quote from the 09:52
19 approximately 400 of these instances, there was a 09:49	19 attorney for fees that haven't -- been incurred, but 09:52
20 foreclosure completed, where the modification should 09:49	20 not yet billed. That's what it revealed. 09:52
21 have been granted; correct? 09:49	21 Q Okay. And it says "related errors," plural. 09:52
22 MS. KNIGHT: Object to form. 09:49	22 Was it just one additional error that was 09:52
23 MR. PAUL: Let me withdraw that question. 09:49	23 added, or were there -- was there more than one? 09:52
24 Q My -- my -- I guess what I'm going to get at, 09:49	24 MS. KNIGHT: I'm going to object to the form. 09:52
25 and we're going to look at it -- but that number has 09:49	25 THE WITNESS: Related to attorneys' fees, 09:52
Page 22	Page 24
1 changed as well, correct, the 400? 09:49	1 just the one. 09:52
2 A The 400, yes. 09:50	2 MR. PAUL: Okay. 09:52
3 And the modification granted, I would state 09:50	3 Q So as of the September 30 disclosure, there 09:52
4 that to say a trial modification was where we had the 09:50	4 were two errors that were being disclosed; correct? 09:52
5 inaccurate decision. 09:50	5 A That we identified, yes. Related to 09:52
6 Q Sure. 09:50	6 attorneys' fees, yes. 09:53
7 And you -- the process -- we'll get into this 09:50	7 Q Yes. Okay. 09:53
8 a little later. But a borrower has to go through the 09:50	8 The other addition that I noted in -- was 09:53
9 trial modification to get a final modification; 09:50	9 that in addition to -- well, let me just point you to 09:53
10 correct? 09:50	10 the sentence. So it says -- the sentence that says 09:53
11 A Yes. 09:50	11 "similar to the initial calculation error." 09:53
12 Q Okay. Now, the -- the disclosure goes on to 09:50	12 A Yeah. 09:53
13 say that the company has substantially completed its 09:50	13 Q Do you see that? 09:53
14 internal review. 09:50	14 It says: 09:53
15 Has that review been completed as of today? 09:50	15 "These errors caused an overstatement of the 09:53
16 A It's still under review. 09:50	16 attorneys' fees that were included for purposes of 09:53
17 Q Okay. All right. 09:50	17 determining a customer qualified for a mortgage loan 09:53
18 If you'll turn to Exhibit 391. 09:50	18 modification." 09:53
19 A (Witness complies.) 09:50	19 And then it says: 09:53
20 Q The -- the first change is, it changes the 09:50	20 "Or repayment plan, which didn't occur in the 09:53
21 date -- well, let me back down. That's not the first 09:51	21 first disclosure." 09:53
22 change. 09:51	22 So what was it about repayment plans that was 09:53
23 The first change I want to point out is, the 09:51	23 learned in -- in that -- in that period? 09:53
24 date of October 20, 2015, changed to October 2nd, that 09:51	24 A It was specific to the second error that we 09:53
25 was just a typo error on the first one? 09:51	25 identified, that the pending fee quote that we 09:53
Page 23	Page 25

1 received was not reconciled with actuals. So it was 09:53	1 of foreclosures that had been completed. It goes from 09:56
2 related to the second error, and that it impacted the 09:53	2 400 to 545. 09:56
3 repayment plans, which is a short-term program for a 09:54	3 Was that the discovery of additional first 09:56
4 customer. 09:54	4 error, as well as second error? 09:56
5 Q Okay. With respect to the -- the different 09:54	5 A Yes, both. 09:56
6 investor programs, is there -- did the second error 09:54	6 Q Okay. All right. 09:57
7 reach a broader group of investor loans? 09:54	7 If you would now pull out Exhibit 392. 09:57
8 MS. KNIGHT: Object to form. 09:54	8 A (Witness complies.) 09:57
9 And also, I believe this is beyond -- getting 09:54	9 Q There is a new section that begins in the 09:57
10 beyond the scope of the topic for which the witness 09:54	10 second column on page 5 that says "As Previously 09:57
11 has been designated. 09:54	11 Disclosed." 09:57
12 I believe she can testify about the 09:54	12 Do you see that? 09:57
13 population in her personal capacity, once we finish 09:54	13 A I do see that. 09:57
14 the 30(b)(6) under the standing order. I think we're 09:54	14 Q Okay. And did you also have a hand in 09:57
15 getting abroad of the -- the topic. 09:54	15 preparing this new -- or at least reviewing this new 09:57
16 MR. PAUL: Well, yeah. I think -- so the 09:54	16 language before it was published? 09:57
17 issue is the discovery of the error. And so I'm 09:54	17 MS. KNIGHT: Object to form. 09:57
18 trying to figure out which -- how broad the error is. 09:54	18 THE WITNESS: I believe I reviewed it, yes. 09:57
19 MS. KNIGHT: Okay. I'll -- ask it again, and 09:55	19 MR. PAUL: All right. 09:57
20 maybe we can get it a different way. 09:55	20 Q The -- that -- so that's -- there's a long 09:57
21 MR. PAUL: Q. Well, let's -- let's just 09:55	21 sentence there. Then the next sentence after that 09:58
22 break it down. 09:55	22 begins "the number of previously disclosed 09:58
23 A Sure. 09:55	23 customers." 09:58
24 Q We're going to have some documents that we'll 09:55	24 Do you see that? 09:58
25 walk through, but I think you probably just know this. 09:55	25 A I do see that. 09:58
Page 26	Page 28
1 So of the trial loan modifications that -- 09:55	1 Q All right. 09:58
2 that you've discovered should have been granted, some 09:55	2 And it says that: 09:58
3 of those were Fannie Mae loans; correct? 09:55	3 "The number of customers there may change as 09:58
4 A Yes. 09:55	4 a result of ongoing validation, but is not expected to 09:58
5 Q And some were Freddie Mac loans? 09:55	5 change materially." 09:58
6 A Yes. 09:55	6 I take it that the -- there's a process of 09:58
7 Q Were any of them VA loans? 09:55	7 review, and then there's a process of validation; is 09:58
8 A I believe there was one or two. I don't know 09:55	8 that correct? 09:58
9 the exact number. I believe there was a VA loan which 09:55	9 MS. KNIGHT: Object to form. 09:58
10 referenced HUD here, but that would be under the HUD 09:55	10 THE WITNESS: Can you be more specific? 09:58
11 program, yes. 09:55	11 Do you mean for the actual work to determine 09:58
12 Q Okay. And -- and is that in the first error 09:55	12 impact? 09:58
13 or the second error, do you know, or both? 09:55	13 MR. PAUL: I do, yes. 09:58
14 MS. KNIGHT: Object to form. 09:56	14 THE WITNESS: That's correct. 09:58
15 THE WITNESS: I don't recall which specific, 09:56	15 MR. PAUL: Okay. 09:58
16 first error or second error, that was in. 09:56	16 Q And are -- are both phases of that, the 09:58
17 MR. PAUL: Okay. All right. 09:56	17 review and the validation, still ongoing today? 09:58
18 Q When the number of affected customers goes 09:56	18 A The validation is still ongoing. 09:58
19 from 625 to 870, is the difference between those 09:56	19 Q Okay. But the review has been completed? 09:58
20 two numbers just a result of the second error, or were 09:56	20 MS. KNIGHT: Object to form. 09:58
21 there additional first error borrowers discovered? 09:56	21 THE WITNESS: Yes. 09:58
22 MS. KNIGHT: Object to form. 09:56	22 MR. PAUL: Q. And when was it completed? 09:58
23 THE WITNESS: Both. 09:56	23 A I don't know the exact date. I would say 09:58
24 MR. PAUL: Okay. 09:56	24 within the last 30 days. 09:58
25 Q And same question with respect to the number 09:56	25 Q All right. 09:58
Page 27	Page 29

1	Hold on a second.	09:58	1	allowable maximum?	10:02
2	The -- in the expanded review, there are some	09:59	2	A That's correct.	10:02
3	documents that reference another software tool	09:59	3	Q All right.	10:02
4	called -- at least what I understood to be a software	09:59	4	A Can I -- would you mind if I go back to the	10:02
5	tool called SLOAD.	09:59	5	question before, when you asked if the review is	10:02
6	Is that something you're familiar with?	09:59	6	completed?	10:02
7	A I am.	09:59	7	Q Yeah, go ahead.	10:02
8	Q And did, I guess, either the first or the	09:59	8	A I'd like to just clarify. We're still	10:02
9	second error involve the SLOAD software tool as well?	09:59	9	completing under the guidance of -- can I just ask her	10:02
10	A Yes.	09:59	10	a question?	10:02
11	Q And was it the first or the second, or both?	09:59	11	MS. KNIGHT: Yeah, can we go off the record	10:02
12	A The second.	09:59	12	for privilege -- possible privilege?	10:02
13	Q Okay. And would you describe how the issue	09:59	13	MR. PAUL: Okay.	10:02
14	implicated the SLOAD program?	09:59	14	THE VIDEOGRAPHER: Going off the record. The	10:02
15	MS. KNIGHT: Object to form.	10:00	15	time is 10:02.	10:02
16	THE WITNESS: Within the loss mitigation	10:00	16	(Recess taken.)	10:02
17	process, most investors require us to include any	10:00	17	THE VIDEOGRAPHER: We are back on the record.	10:04
18	attorneys' fees that have been incurred, up until the	10:00	18	The time is 10:03.	10:04
19	point of the loss mitigation date, decision date.	10:00	19	MR. PAUL: All right.	10:04
20	In this case -- and -- and that -- in -- at	10:00	20	Q And you wanted to supplement your prior	10:04
21	the final modification point, the process in which we	10:00	21	answer?	10:04
22	had in place would use actual fees that had been	10:00	22	A Yeah, I would like to.	10:04
23	billed and paid to the attorney.	10:00	23	You asked earlier if the review and the	10:04
24	And we would get a quote from the attorney	10:00	24	validation -- what stages they're in. And I'd like to	10:04
25	for what was pending, incurred, and not yet paid up	10:00	25	just restate, that the review is still underway.	10:04
Page 30			Page 32		
1	until the decision date.	10:00	1	Q Okay. And is that review underway on both	10:04
2	The actuals were all reconciled to all State	10:00	2	the first and second errors?	10:04
3	allowables. The control that was missed in the loss	10:01	3	A Yes.	10:04
4	mitigation process for the decision was, we did not	10:01	4	Q All right.	10:04
5	confirm that what the attorney gave us did not put a	10:01	5	And I take it the validation is also still	10:04
6	particular customer over the State allowable.	10:01	6	going on for both first and second error?	10:04
7	MR. PAUL: Okay.	10:01	7	A Yes. I stated that one accurately earlier.	10:04
8	Q So let me see if I can simplify that.	10:01	8	Q Okay. And has the review uncovered any other	10:04
9	So the first error is, the State maximum from	10:01	9	errors related to attorneys' fees?	10:04
10	the table would be added to whatever fees had been	10:01	10	MS. KNIGHT: Object to the form. Also, this	10:04
11	incurred as of that date, which allowed it to be	10:01	11	is definitely beyond the scope.	10:04
12	higher than -- if there were incurred fees, when they	10:01	12	You're free to ask her that question at the	10:04
13	were added to the maximum, that put them over the	10:01	13	end after we finish the testimony for which she's been	10:04
14	maximum; is that right?	10:01	14	designated.	10:05
15	MS. KNIGHT: Ob- -- object to form.	10:01	15	MR. PAUL: Okay. All right.	10:05
16	THE WITNESS: I would describe that slightly	10:01	16	Q When was the first error first discovered?	10:05
17	differently by saying billed -- incurred and paid,	10:01	17	MS. KNIGHT: Object to form.	10:05
18	plus the State fee matrix, versus just incurred.	10:01	18	THE WITNESS: The calculation error was first	10:05
19	MR. PAUL: Oh, okay.	10:01	19	discovered and identified that the tool was -- the	10:05
20	THE WITNESS: So paid, and then added the	10:01	20	automated tool -- in December of 2013.	10:05
21	State fee matrix.	10:02	21	(Document marked Exhibit 393	10:05
22	MR. PAUL: Okay.	10:02	22	for identification.)	10:05
23	Q And then the second error was -- that was	10:02	23	MR. PAUL: Ma'am, I've handed you what we've	10:05
24	used, the fees that were incurred and paid, just there	10:02	24	marked as Exhibit 393, which is -- has an attachment	10:05
25	wasn't a check to see that they didn't exceed the	10:02	25	which is:	10:06
Page 31			Page 33		

1 period, and in some instances the HPA tool? 10:23	1 Q So I'm just trying to differentiate. I know 10:26
2 MS. KNIGHT: Object to form. 10:23	2 there have been follow-up communications after a 10:26
3 THE WITNESS: Yes. 10:23	3 borrower gets a first letter. 10:26
4 MR. PAUL: Q. And the HPA tool would be 10:23	4 A Right. 10:27
5 post-October 2015? 10:23	5 Q On how many occasions, since that first 10:27
6 MS. KNIGHT: Object to form. 10:23	6 mailing in September 2018, have there been first 10:27
7 THE WITNESS: Yes, in those instances, where 10:24	7 notifications to a borrower that they may have been 10:27
8 the calculation error -- it wasn't the calculation 10:24	8 impacted by one of these errors? 10:27
9 error. 10:24	9 MS. KNIGHT: Object to form. 10:27
10 MR. PAUL: Right. Okay. 10:24	10 THE WITNESS: I don't know the exact number 10:27
11 Q The overview third bullet point, May 1, 2018, 10:24	11 off the top of mind. 10:27
12 to the present, based on the review and validation 10:24	12 MR. PAUL: All right. 10:27
13 that has occurred to date, do you believe that the 10:24	13 Q Have there been occasions where Wells Fargo 10:27
14 problem -- that both the first and second errors have 10:24	14 sent a borrower a notice, a letter, saying you've 10:27
15 been resolved or are no longer occurring 10:24	15 been -- we should have granted you a trial 10:27
16 post-April 31, 2018? 10:24	16 modification and didn't, or should have granted you a 10:27
17 A I do, yes. 10:24	17 repayment plan and didn't, and which you've later 10:27
18 Q All right. 10:24	18 determined that they should not have received that 10:27
19 So the population, you mentioned earlier that 10:24	19 letter? 10:27
20 those numbers are not correct. Let's just go through 10:24	20 A Yes. 10:27
21 each of those. 10:24	21 Q And do you know about how many times that's 10:27
22 What is the current number of impacted 10:24	22 happened? 10:27
23 accounts for Phase 1, as you know it to be today? 10:25	23 A 12. 10:27
24 A I don't know the -- the -- the breakout off 10:25	24 Q And on those 12 occasions, has the bank 10:27
25 the top of my mind by each of the phases. I know the 10:25	25 communicated back to those customers, Sorry, our first 10:27
Page 46	Page 48
1 total combined. 10:25	1 letter saying we were in error was in error? 10:28
2 Q What is the total combined? 10:25	2 MS. KNIGHT: Object to form. 10:28
3 A 946. 10:25	3 THE WITNESS: No, we have not. 10:28
4 Q Okay. And what caused it to go down? 10:25	4 MR. PAUL: Okay. 10:28
5 Is it that there -- there were some accounts 10:25	5 Q I know you've brought some documents with you 10:28
6 that had previously been determined to be impacted 10:25	6 today, and you have a notebook. 10:28
7 that are no longer impacted? 10:25	7 Do you have something in front of you that 10:28
8 Why did that happen? 10:25	8 would give you the breakdown today between the number 10:28
9 A With this document being from September of 10:25	9 of Phase 1 borrowers and the number of Phase 2 10:28
10 2018, we've continued to refine and -- and complete 10:25	10 borrowers? 10:28
11 our line of business remediation work, as well as then 10:25	11 MS. KNIGHT: If we can go off the record, 10:28
12 throughout validation. It's -- it's fluctuated as 10:25	12 we'll -- 10:28
13 those efforts have been -- worked -- worked on. 10:26	13 MR. PAUL: Sure. 10:28
14 Q At what point in the process did letters to 10:26	14 MS. KNIGHT: Yeah. 10:28
15 the borrowers first go out, telling them, You've been 10:26	15 THE WITNESS: I didn't -- 10:28
16 impacted by one of these errors? 10:26	16 THE VIDEOGRAPHER: Going off the record. The 10:28
17 A I believe it was the second week of 10:26	17 time is 10:28. 10:28
18 September 2018. 10:26	18 (Recess taken.) 10:28
19 Q Okay. And on how many occasions since then 10:26	19 THE VIDEOGRAPHER: We are back on the record. 10:41
20 have letters gone out to borrowers, describing that 10:26	20 The time is 10:41. 10:41
21 they've been impacted by one of these errors? 10:26	21 (Document marked Exhibit 395 10:40
22 MS. KNIGHT: Object to the form. 10:26	22 for identification.) 10:41
23 THE WITNESS: I need you to be more specific, 10:26	23 MR. PAUL: All right. 10:41
24 if you could, on the question, please. 10:26	24 Q Ma'am, I've handed you what we've marked as 10:41
25 MR. PAUL: Sure. 10:26	25 Exhibit 395, which is a document that your counsel 10:41
Page 47	Page 49

1 gave to me this morning. 10:41	1 The second category is foreclosure. It's 10:43
2 Can you describe for me what this is, please? 10:41	2 labeled FCL. That means that the customer completed 10:43
3 A This would be all the loans that we've 10:41	3 foreclosure. 10:43
4 currently identified as either impacted, or in the 10:41	4 3 is labeled PIF. That means that the 10:44
5 12 cases, you'll note on here where they were later 10:41	5 customer satisfied the full mortgage, paid in full. 10:44
6 determined to be not impacted. 10:41	6 The fourth category is short sale. And I 10:44
7 And it has various columns, including the 10:41	7 believe that can either mean a short sale, as it 10:44
8 product type and remediation amount and the status of 10:41	8 specifically said. Our category was Liquidations 10:44
9 the loan that -- the incorrect decision date. 10:41	9 there, so I don't know if on this spreadsheet, it's 10:44
10 Q All right. 10:42	10 broken out as short sale and deed in lieu. But it's 10:44
11 Let me walk through the -- some of the -- 10:42	11 liquidations, basically. It had another exit. 10:44
12 some of the columns -- 10:42	12 And then the fifth category is Service TXFR. 10:44
13 A Okay. 10:42	13 That's where Wells Fargo transferred the servicing 10:44
14 Q -- just to be sure I know what we're looking 10:42	14 rights to another servicer. 10:44
15 at. 10:42	15 And those are the five categories. 10:44
16 So the -- the loan number is going to be 10:42	16 Q All right. 10:44
17 there on their mortgage loan documents. So that's 10:42	17 So I assume that the Category 5 -- that could 10:45
18 unique to a borrower; correct? 10:42	18 be, like, they -- they refinanced with another bank, 10:45
19 A That's correct. 10:42	19 and so somebody else is servicing it? 10:45
20 Q All right. 10:42	20 Or is that, you sold a batch of loans? 10:45
21 And so I -- I understand where that was 10:42	21 A Service transfer would be very specific to 10:45
22 removed. 10:42	22 selling loans to another servicer, whether it be, you 10:45
23 But you could tie each of these to a name -- 10:42	23 know, the -- the GSE has requested a service transfer. 10:45
24 A Yes. 10:42	24 It -- it would not be a situation where a customer 10:45
25 Q -- or names? 10:42	25 refinanced. If it was a refinance, that would be a 10:45
Page 50	Page 52
1 All right. 10:42	1 paid in full category. 10:45
2 And then -- let's see. The category of 10:42	2 Q All right. 10:45
3 "Remediation" column, would you describe that for us, 10:42	3 So the -- the loan would not have been 10:45
4 please. 10:42	4 foreclosed on before that transfer occurred? 10:45
5 A At the time, when we identified the impact 10:42	5 A Correct. 10:45
6 and -- we classified the -- each loan into 10:42	6 Q Could it have been in the foreclosure process 10:45
7 five categories in order to determine which 10:43	7 when the transfer occurred? 10:46
8 remediation category they were -- would be remediated 10:43	8 A Yes. 10:46
9 under. 10:43	9 Q Okay. All right. 10:46
10 And that status is as of the date that we 10:43	10 The next column, "Initial Remediation Amount 10:46
11 identified and started the remediation for that 10:43	11 to Customer," is blank. But that would have been the 10:46
12 customer. 10:43	12 amount that the customer received with -- as a check 10:46
13 Q All right. 10:43	13 with the letter that was sent out? 10:46
14 Would you walk me through what each of the 10:43	14 A Yes. 10:46
15 categories are, please. 10:43	15 Q All right. 10:46
16 A Sure. 10:43	16 And then "Total Amount Received" would be, I 10:46
17 In order would probably be the easiest, 10:43	17 presume, any amounts from mediation or subsequent 10:46
18 No. 1 -- 10:43	18 discussions added to that initial check? 10:46
19 Q Yes. 10:43	19 A That's correct. 10:46
20 A -- even though they're not in order on the 10:43	20 Q All right. 10:46
21 spreadsheet. 10:43	21 And then the next column, "Product Type 10:46
22 The ones numbered No. 1 would be active. And 10:43	22 Incorrectly Decisioned," would you explain that 10:46
23 active would mean they still have a Wells Fargo 10:43	23 column, please. 10:46
24 mortgage -- that Wells Fargo mortgage with Wells Fargo 10:43	24 A Based on the investor, as well as the 10:46
25 as the servicer. 10:43	25 Treasury program, depending upon who the customer's 10:46
Page 51	Page 53

1 programs. 14:16	1 was initially rolled out, there was user acceptance 14:21
2 MR. PAUL: Okay. 14:16	2 testing, which is just as it sounds. 14:21
3 Q And which programs did Wells Fargo use it 14:16	3 And then there was also a comparison to the 14:21
4 for? 14:16	4 previous various Excel tools that were used. 14:21
5 A Home equity and a different portfolio that 14:16	5 And for auditing, I'll -- I'll put that into 14:21
6 didn't have attorneys' fees in the calculation. 14:17	6 audits and exams kind of a category because those 14:22
7 Client 512 was the name of it. 14:17	7 sometimes can be used interchangeably. 14:22
8 Q And why did Wells Fargo choose to develop its 14:17	8 We would do reviews within the line of 14:22
9 own proprietary NPV calculator, instead of using the 14:17	9 business of underwriting decisions. It wasn't an 14:22
10 Fannie Mae NPV calculator? 14:17	10 audit or exam of the tool itself, but it was the 14:22
11 A From an overall customer standpoint, to get 14:17	11 output of the decision. 14:22
12 the decision as quickly as possible to the customer, 14:17	12 Our credit risk team, at the corporate level. 14:22
13 having any ease for our team members, having the 14:17	13 would review decisions. 14:22
14 calculator built into the tool that you complete the 14:17	14 As well, virtually all of the investors, 14:22
15 underwriting in is more timely and efficient. 14:17	15 Fannie, Freddie, Treasury, FHA, all completed reviews 14:22
16 And that's why, because as you can see in the 14:17	16 on our decisions. 14:22
17 document that you're referencing, 403, there is a 14:17	17 Q The -- the -- the first error that pulled the 14:22
18 tremendous number of additional manual steps you need 14:17	18 max fees in, and added it to the actual fees, that was 14:23
19 to go through. 14:17	19 a hard -- hard-coded software coding issue; right? 14:23
20 Q Okay. Do you know whether completing those 14:18	20 MS. KNIGHT: Object to form. 14:23
21 manual steps and -- and using the Fannie Mae NPV 14:18	21 THE WITNESS: It was coded into the system, 14:23
22 calculator would have caught the improperly calcu- -- 14:18	22 yes. 14:23
23 capitalized fees? 14:18	23 MR. PAUL: Okay. 14:23
24 A I do know that. 14:18	24 Q And have you been able to determine 14:23
25 Q Okay. And do you know that it would have? 14:18	25 whether -- where that error occurred, in terms of 14:23
Page 154	Page 156
1 A It would not have -- 14:18	1 developing the software itself? 14:23
2 Q Okay. 14:18	2 MS. KNIGHT: I think that this was an issue 14:23
3 A -- caught this error. 14:18	3 earlier. Ms. Bell is not designated to speak on the 14:23
4 Q And is that because they need to be manually 14:18	4 programming or the coding of the tool. It's not one 14:23
5 entered? 14:18	5 of the topics. 14:23
6 MS. KNIGHT: Object to form. 14:18	6 But I do think she can speak to this in her 14:23
7 THE WITNESS: Fannie's NPV calculator tool 14:18	7 personal capacity later. I think she can provide some 14:24
8 would have still contained the inaccurate amount 14:18	8 information on that. So I think, if we can save that 14:24
9 capitalized because of the tool calculation error. 14:19	9 'til the end. 14:24
10 because those are all inputs that go into an NPV 14:19	10 MR. PAUL: All right. 14:24
11 model. 14:19	11 I guess for the record, I'm going to say I'm 14:24
12 MR. PAUL: Q. Do you know whether -- well, 14:19	12 going to do that. I'm going to do this. By doing 14:24
13 did the SLOAD software tool at any point in time use 14:20	13 that, I'm not agreeing that these are outside the 14:24
14 the Fannie Mae NPV calculator? 14:20	14 scope. And so we may have an issue we can take up 14:24
15 A Fannie Mae, it did not. It used our 14:20	15 after the fact, whether that's actual corporate rep 14:24
16 proprietary. 14:20	16 testimony or not. 14:24
17 Q Was it the same NPV calculator for both HPA 14:20	17 MS. KNIGHT: Okay. 14:24
18 that was built into the SLOAD? 14:20	18 MR. PAUL: But I'll move on for now. Okay. 14:24
19 A Yes. 14:20	19 (Document marked Exhibit 404 14:25
20 Q Okay. In 2010, after the HPA tool was rolled 14:20	20 for identification.) 14:25
21 out, what processes were in place to test or audit the 14:21	21 MR. PAUL: Ma'am, I've handed you what we've 14:25
22 functionality of the software? 14:21	22 marked as Exhibit 404, which I'll give you a moment to 14:25
23 A I'll break it down into those two separately, 14:21	23 review. But I saw it was one of the documents that 14:25
24 if I -- if I could. 14:21	24 we -- 14:25
25 So testing related to the rollout. When it 14:21	25 A Yeah, I've seen -- I've seen this document. 14:25
Page 155	Page 157

1 A I do not personally know that. 14:32	1 MR. PAUL: Okay. 14:35
2 Q Okay. And in the e-mail on the top of 1604, 14:32	2 Q So -- so what about either of those changes 14:35
3 which is in the back and forth again from Thomas 14:32	3 would have precluded the second error from happening? 14:35
4 Wayne, he says: 14:32	4 A In the first -- 14:35
5 "We are most concerned about the HPA 14:32	5 MS. KNIGHT: Object to form. 14:35
6 corporate" -- 14:32	6 THE WITNESS: -- one, setting the table to 0, 14:35
7 Let me try that again. 14:32	7 which is what was, in fact, implemented in October -- 14:35
8 "We are most concerned about the HPA 14:32	8 by setting it to 0, it only used paid, which is 14:35
9 corporate advances attorney foreclosure fee matrix 14:32	9 reconciled to the State fee amount. 14:35
10 CIT 1552, CR 16548, and have an interest in promoting 14:32	10 And so, in that case, because those are 14:35
11 what we believe to be a simple yet effective 14:32	11 already reconciled, and there's no pending or State 14:35
12 solution." 14:32	12 fee additional matrix in, that could not result in the 14:35
13 The discussion that he's having at this point 14:32	13 error that was caused by issue two we've been 14:36
14 in time, when he says "we," he's with default 14:33	14 discussing. 14:36
15 decisioning, which is a department you're over now, 14:33	15 MR. PAUL: Q. But the -- the error did still 14:36
16 and he's talking to people in what appears to be other 14:33	16 occur with the HPA tool after the table was set to 0 14:36
17 departments; is that right? 14:33	17 in October of 2015? 14:36
18 MS. KNIGHT: Object to form. 14:33	18 MS. KNIGHT: Object to form. 14:36
19 THE WITNESS: Yes. 14:33	19 THE WITNESS: Not where the tool was 14:36
20 MR. PAUL: All right. 14:33	20 corrected and set to 0. 14:36
21 Q And do you know whether -- again, in your 14:33	21 MR. PAUL: All right. 14:36
22 research of what happened, and the investigation of 14:33	22 Q So help me with that. How could the tool 14:36
23 all this, whether different departments came to 14:33	23 have not been set to 0 after October of 2015? 14:36
24 different views about what the solution should be, if 14:33	24 A This morning, I mentioned that the HPA tool 14:36
25 -- if -- if any? 14:33	25 had multiple investors and multiple programs within 14:36
Page 162	Page 164
1 MS. KNIGHT: Object to form. 14:33	1 the tool. There was only a certain group of investors 14:37
2 THE WITNESS: From my memory of looking at 14:33	2 and programs in which the calculation error was 14:37
3 the documents, I believe that there were two to 14:33	3 present. 14:37
4 three various solutions put forward during this time 14:33	4 And because of that, when we set those GSE 14:37
5 frame, up until it was corrected. I don't remember if 14:34	5 programs, bank and private, and owned HAMP to 0 for 14:37
6 it was two or three, but I know it was more than the 14:34	6 the State fee matrix, that meant it was only using 14:37
7 one. 14:34	7 what was paid, which is reconciled to the State fee 14:37
8 MR. PAUL: All right. 14:34	8 matrix, State allowables. And there's no error that 14:37
9 Q Let's talk about the ones -- so there was a 14:34	9 was present in those after October 2nd of 2015. 14:37
10 proposal back then to -- to turn the matrix off. That 14:34	10 Q What's the category of loan that is not 14:37
11 was one of them; right? 14:34	11 within those groups for which the tool was set to 0, 14:38
12 A That is correct. 14:34	12 but still used HPA as opposed to SLOAD? 14:38
13 Q Okay. And then what's the other one that 14:34	13 A If I could reference the spreadsheet. 14:38
14 you're thinking about? 14:34	14 Q Sure. 14:38
15 A The other one that I recall seeing in the 14:34	15 A I don't know what number that is. 14:38
16 research to prepare was eliminating the matrix, but 14:34	16 Q 395. 14:38
17 going and asking the attorneys for the pending fee 14:34	17 MS. KNIGHT: Yeah, here it is. 14:38
18 amount so we could take both the billed and paid, plus 14:34	18 THE WITNESS: I think I gave an example 14:38
19 the pending fee, into account. 14:34	19 earlier. It was the repayment plan, so not FHA. So 14:38
20 Q Either of those changes could have still 14:35	20 it would have been -- I've got to find one again on 14:38
21 resulted in the second error; correct? 14:35	21 here. 14:38
22 Not resulted in, but still have allowed the 14:35	22 MR. PAUL: Q. Page 14, I think, is the 14:38
23 second error to occur? 14:35	23 example -- 14:38
24 MS. KNIGHT: Object to form. 14:35	24 A It was 14 that I was talking -- 14:38
25 THE WITNESS: I don't agree with that. 14:35	25 Q Yeah. 14:39
Page 163	Page 165

1 Q All right. 15:13	1 Q So what's the scenario where you could have 15:15
2 Today, given the process changes that have 15:13	2 the potential for harm, but no identification of harm, 15:15
3 occurred, would it be okay to close the CIT that had 15:13	3 and -- and it still be okay to close it down? 15:15
4 the potential for customer harm if no customer harm 15:13	4 MS. KNIGHT: I'm going to just state that 15:15
5 had been identified? 15:13	5 this is beyond the scope of the notice. 15:15
6 MS. KNIGHT: Object to form. 15:13	6 And Ms. Bell can answer in her personal 15:15
7 THE WITNESS: No. 15:13	7 capacity. 15:16
8 MR. PAUL: Q. And you'll agree that's what 15:14	8 I'm going to give you a little leeway instead 15:16
9 happened here in 2015? 15:14	9 of waiting 'til the end on this, but, you know -- 15:16
10 MS. KNIGHT: Object to form. 15:14	10 THE WITNESS: Our -- our acronyms, albeit the 15:16
11 THE WITNESS: Can you restate the question 15:14	11 acronym has remained the same, the process around them 15:16
12 for me -- 15:14	12 I would describe as different. 15:16
13 MR. PAUL: Sure. 15:14	13 To correct the issue that is found in the 15:16
14 THE WITNESS: -- please? 15:14	14 corrective action in today's process, so if I open a 15:16
15 MR. PAUL: And I'll -- I'll break it up. 15:14	15 CIT in which there is confirmed and validated no 15:16
16 THE WITNESS: Okay. 15:14	16 customer impact, but we still need to correct 15:16
17 MR. PAUL: Q. So as they note, they 15:14	17 something, I can close the CIT, but the corrective 15:16
18 hadn't -- they -- they've done a review, and they have 15:14	18 action remains open, until that corrective action is 15:16
19 not found any customer harm; right? 15:14	19 completed. 15:16
20 A That's correct. 15:14	20 So that's the differentiator there. 15:16
21 Q And that turned out to be incorrect. 15:14	21 MR. PAUL: Q. And so, had I asked the 15:16
22 But at least they believed that there was no 15:14	22 question with respect to closing the CCR, as opposed 15:16
23 customer harm? 15:14	23 to the CIT, would that have changed your answer then? 15:17
24 A Yes. 15:14	24 MS. KNIGHT: Object to form. 15:17
25 Q But they also knew that there was some risk 15:14	25 THE WITNESS: Generally speaking, unless the 15:17
Page 178	Page 180
1 that there could be. They just hadn't found it. 15:14	1 CCR evolves into a new CCR; but yes. 15:17
2 And that's the reference to there was really 15:14	2 MR. PAUL: All right. 15:17
3 low risk? 15:14	3 Q So let me ask that question without referring 15:17
4 MS. KNIGHT: Object to form. 15:14	4 to earlier questions -- 15:17
5 THE WITNESS: Can you ask the -- that last 15:14	5 A Yeah. 15:17
6 question again? Because I'm -- 15:14	6 Q -- so our record is clear. 15:17
7 MR. PAUL: Sure. 15:14	7 A Thank you. 15:17
8 Q From what you've seen here, they had -- they 15:14	8 Q So today, under today's processes, if there 15:17
9 had done a review and not found customer harm, but 15:14	9 was an error that had not been identified as impacting 15:17
10 they couldn't rule it out. 15:14	10 any customers, but there was a known risk that it 15:17
11 And so they knew there was still at least 15:14	11 could impact a customer, you would not be able to 15:17
12 some risk that a loan modification could be improperly 15:14	12 close down a CCR? 15:17
13 denied because of the excessive capitalized fees? 15:15	13 MS. KNIGHT: Object to form; also beyond the 15:17
14 MS. KNIGHT: Object to form. 15:15	14 scope. 15:17
15 THE WITNESS: Based on how it's written, I 15:15	15 She can answer in her personal capacity. 15:17
16 would agree with that statement, not writing the 15:15	16 THE WITNESS: The CA, which is corrective 15:17
17 statement myself. 15:15	17 action, versus the CCR, is the chain -- a change 15:17
18 MR. PAUL: Okay. 15:15	18 control. And so what you would not be able to close 15:17
19 Q And it's the -- the potential that harm could 15:15	19 is the CA, which is corrective action. 15:17
20 occur, even if they hadn't found any, that today -- 15:15	20 MR. PAUL: Okay. 15:18
21 under today's processes would require action be taken 15:15	21 Q And was that process change put in place 15:18
22 before a CIT be closed; correct? 15:15	22 because of what happened in 2015, with respect to 15:18
23 MS. KNIGHT: Object to form. 15:15	23 either of these errors? 15:18
24 THE WITNESS: Not always. 15:15	24 MS. KNIGHT: Object to the form. 15:18
25 MR. PAUL: Okay. 15:15	25 THE WITNESS: No. 15:18
Page 179	Page 181